

Message Text

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SUBJ: FOREIGN INVESTMENT CLIMATE AND STATISTICS: QATAR

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1. THE GOVERNMENT OF QATAR ENCOURAGES DIRECT FOREIGN INVESTMENT IN THE ECONOMIC DEVELOPMENT OF THE COUNTRY. CERTAIN AREAS OF THE ECONOMY ARE RECEIVING SPECIAL ATTENTION, AND THE GOVERNMENT OFFERS A NUMBER OF INCENTIVES TO FOREIGN CONCERNS WISHING TO PARTICIPATE IN THE DEVELOPMENT OF INDUSTRY, AGRICULTURE, MINING, POWER GENERATION, TRANSPORTATION AND TOURISM. INCENTIVES INCLUDE EXEMPTIONS FROM CUSTOMS DUTIES FOR EQUIPMENT AND MATERIALS IMPORTED FOR THE PURPOSE OF ESTABLISHING OR MAINTAINING THE INDUSTRY, EXEMPTION FROM TAXES FOR A PERIOD OF FIVE YEARS WITH THE POSSIBILITY OF RENEWAL, AND ASSISTANCE IN FINANCING EITHER THROUGH CAPITAL INVESTMENT OR LONG TERM INTEREST FREE LOANS. THUS FAR, THE MOST COMMON TYPE OF FOREIGN INVESTMENT IN QATAR HAS TAKEN THE FORM OF JOINT VENTURES BETWEEN THE GOVERNMENT AND A FOREIGN CONCERN, GENERALLY IN THE INDUSTRIAL FIELD. DUE TO QATAR'S POSITION AS AN OIL EXPORTING

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COUNTRY WITH SUBSTANTIAL SURPLUS REVENUES, MOST FOREIGN

FIRMS HAVE ACQUIRED EQUITY IN VENTURES HERE BY PROVIDING MANAGERIAL AND TECHNICAL EXPERTISE RATHER THAN THROUGH DIRECT CASH INVESTMENT. ACCORDING TO QATARI LAW, FOREIGN EQUITY IN ANY INDUSTRIAL OR COMMERCIAL ENTERPRISE IS LIMITED TO 49 PERCENT OF THE TOTAL CAPITAL ALTHOUGH IT IS POSSIBLE TO OBTAIN AN EXEMPTION FROM THIS REQUIREMENT. IN ACTUAL PRACTICE, HOWEVER, FOREIGN EQUITY IN MAJOR INDUSTRIAL PROJECTS IS GENERALLY CONSIDERABLY LESS THAN 49 PERCENT. THERE HAS BEEN LITTLE FOREIGN INVESTMENT IN THE PRIVATE SECTOR TO DATE, BUT IT IS EXPECTED TO INCREASE AS LOCAL FIRMS TAKE AN INCREASING INTEREST IN JOINT VENTURE OPPORTUNITIES.

2. THERE ARE RELATIVELY FEW RESTRICTIONS ON FOREIGN INVESTMENT IN QATAR. FOR EXAMPLE, THERE ARE NO CONTROLS OVER REPATRIATION OF CAPITAL OR DIVIDENDS NOR IS A CEILING IMPOSED ON LOCAL BORROWING. THE GOVERNMENT FOLLOWS A PROCUREMENT POLICY OF PURCHASING ON THE LOCAL MARKET WHENEVER POSSIBLE AND ENCOURAGES DOMESTIC PRODUCTION IN ALL FIELDS. ALTHOUGH CUSTOMS DUTIES ON MOST IMPORTS ARE LOW (2.5 PERCENT), THE GOVERNMENT INCREASES TARIFFS TO PROTECT ANY PRODUCTS MANUFACTURED LOCALLY. HOWEVER, THIS POLICY HAS HAD LITTLE EFFECT ON IMPORTS SINCE DOMESTIC CONCERNS ARE ABLE TO PRODUCE ONLY A SMALL FRACTION OF THE COUNTRY'S NEEDS. FOREIGN FIRMS HOLDING AN EQUITY INTEREST IN COMMERCIAL OR INDUSTRIAL ENTERPRISES REGISTERED IN QATAR ARE REQUIRED TO EMPLOY AND TRAIN QATARI NATIONALS FOR BOTH ADMINISTRATIVE AND TECHNICAL POSITIONS. DUE TO A SHORTAGE OF MANPOWER, THE GOVERNMENT TENDS TO FAVOR CAPITAL-INTENSIVE OVER LABOR-INTENSIVE PROJECTS. WHILE STRIKES AND ORGANIZED LABOR MOVEMENTS ARE PROHIBITED, QATARI WORKERS COMMAND EXCELLENT WAGES AND A WIDE RANGE OF FRINGE BENEFITS.

3. ON BALANCE, QATAR CONTINUES TO OFFER EXCELLENT OPPORTUNITIES FOR FOREIGN INVESTMENT. LARGE OIL AND GAS RESERVES WILL PROVIDE SURPLUS INCOME FOR THE FORESEEABLE FUTURE AND THE COUNTRY IS COMMITTED TO A PROGRAM OF USING ITS FINANCIAL RESOURCES FOR INDUSTRIAL DEVELOPMENT. THIS WILL INVOLVE FOREIGN CONCERNS IN A NUMBER OF MAJOR JOINT VENTURES AT A MAXIMUM OF PROFIT AND MINIMUM OF RISK. AS NOTED ABOVE, EQUITY IS OFTEN ACQUIRED THROUGH INVESTMENT OF EQUIPMENT AND KNOW-HOW RATHER

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THAN CAPITAL AND THERE HAS YET TO BE AN INCIDENT OF EXPROPRIATION OR INCONVERTIBILITY INVOLVING FOREIGN INTERESTS.

4. STATISTICS ON DIRECT INVESTMENT IN QATAR ARE NOT AVAILABLE. THE ONLY DIRECT INVESTMENT BY US CONCERNS ARE IN THE PETROLEUM SECTOR, AND THE EMBASSY ESTIMATES THE TOTAL VALUE TO BE \$3 MILLION. WE ARE UNABLE TO PROVIDE AN ACCURATE ESTIMATE OF THE TOTAL DIRECT INVESTMENT BY ALL COUNTRIES IN

QATAR, BUT THE OVERALL FIGURE IS PROBABLY IN THE \$50
MILLION RANGE. FIGURES ON DIRECT INVESTMENT IN THE US
BY QATAR ARE PROVIDED IN DOHA 0569.
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